

City of Myrtle Beach

FY23 1st Reading of FY22-23 Budget Ordinance

May 24, 2022

Fiscal Year 2023 Recommended Budget

	FY2020-21 Actual	FY2021-22 Budget	FY2022-23 Recommended Budget	% Δ
Governmental Operations	\$ 237,914,404	\$ 225,626,586	\$ 234,571,906	4.0%
Enterprise Operations	46,140,008	47,259,257	51,413,799	8.8%
Total Operating Budget	<u>284,054,412</u>	<u>272,885,843</u>	<u>285,985,706</u>	4.8%
Governmental Capital Projects	<u>12,160,779</u>	<u>55,905,308</u>	<u>38,555,750</u>	-31.0%
Reconciling Items				
Enterprise Capital Projects	<u>2,147,848</u>	<u>27,999,400</u>	<u>23,914,000</u>	-14.6%
Total Reconciling Items	<u>2,147,848</u>	<u>27,999,400</u>	<u>23,914,000</u>	-14.6%
Less: Interfund Transfers	<u>(63,578,875)</u>	<u>(64,705,161)</u>	<u>(56,251,069)</u>	-13.1%
Grand Total Appropriations	<u>\$ 234,784,164</u>	<u>\$ 292,085,390</u>	<u>\$ 292,204,387</u>	0.04%

Fiscal Year 2023 Recommended Budget

- General Fund projected balance is in within the City's minimum policy objective with current Unassigned Fund Balance as a percentage of expenditures at 19.8% for FY23.
- Municipal Debt Service Fund projected balance as a percentage of Unreserved Fund Balance to recurring expenditures is at 35.0%
- Water & Sewer Fund Ratio of Net Earnings to Debt Service is projected to be 1.7x (recurring revenue equal 1.7x annual debt service requirements)
- The Self Insurance, Health Insurance, and RHRA Savings (retiree health) Internal Service Funds are projected to have a \$1.8M increase in Net Assets in FY23. The deficit in the Health Insurance Fund should be eliminated over the next three fiscal years.

Fiscal Year 2023 Recommended Budget

- 10 mill Property Tax Increase
- Storm Water rate increase of \$1.67 monthly per ERU, an increase of \$20.04 per year for a residential customer.
- Water & Sewer rate increase of 4.0 – 5.0%, an estimated increase of \$2.58 per month for a residential customer.
- Parking Fees increase of \$.50 - \$1.25 Hourly, \$2.00 - \$5.00 Daily, and \$20.00 for a weekly on-street pass. *(Non-Resident Annual Vehicle & Golf Cart, Employee and Replacement Decal fees unchanged.)*
- Sports Tourism increase **Seasonal Multipliers** from 1.25/1.5 to 2.0, the **Venue Usage** fee for Ashley Booth Field from \$300/day to \$500/day, adjust the **Admission** revenue split, and adjustment of the **Incentive Discount** for athletes that secure accommodations inside the City.
- No Residential Solid Waste Fee Increase, consideration of a convenience fee for Commercial Haulers

Fiscal Year 2023 Recommended Budget

- No Business License rate increase



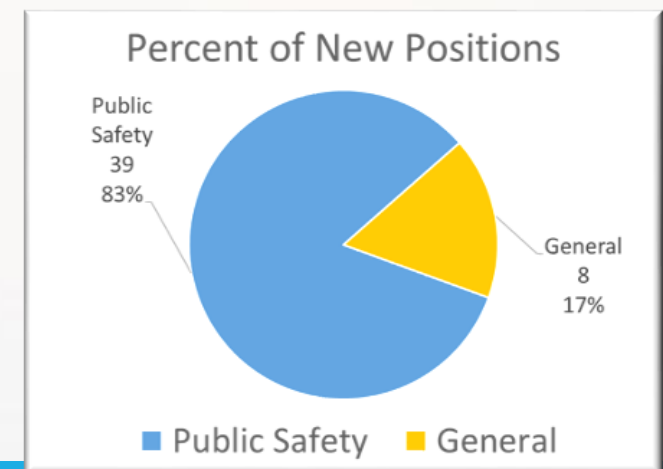
- No Building Permit fee increase

- No rate increases for Recreation or MB Convention Center



Fiscal Year 2023 Recommended Budget

- The FY 23 recommended Budget includes:
 - Implementation of the Compensation & Classification Study
 - Addition of 47 new positions, 83% of which are or support Public Safety
 - **25 Police positions**
 - **3 Ocean Rescue Lieutenants**
 - **3 Opioid Outreach Team Members**
 - **2 Code Enforcement Officers, Property Maintenance**
 - **6 Right of Way Team Members for Beautification & Street End Maintenance**
 - **1 Teen Programs Recreation Leader (L.I.T. program)**
 - **1 Cybersecurity Analyst**
 - **1 Human Resources Technician**
 - **1 Utility Billing Customer Service Representative**
 - **2 Convention Center Maintenance Workers**
 - **1 Water Division Heavy Equipment Operator**
 - **1 Sewer Division Pump Mechanic**



FY23 Proposed Millage Increase – 10 mills

10 Mill Property Tax Increase

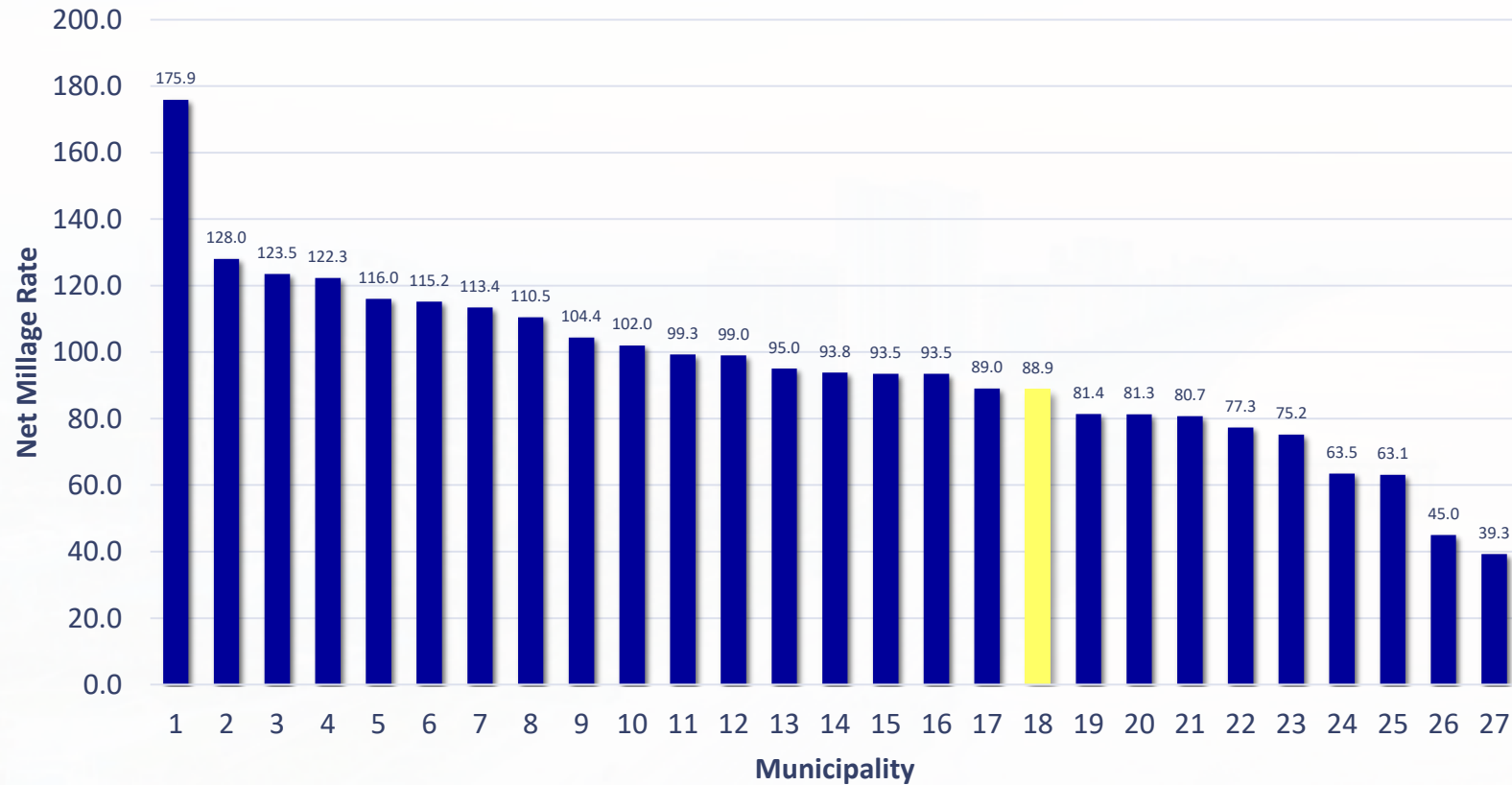
4% Assessed Property (Owner Occupied)

4% Property Value	FY22	FY23	Increase Over FY22	Freeze Credit	
	78.9	88.9		FY23 88.9	Increase Over FY22
\$100,000	\$76	\$85	\$10	\$116	\$40
\$250,000	\$189	\$213	\$24	\$289	\$100
\$500,000	\$379	\$427	\$48	\$579	\$200

6% Assessed Property

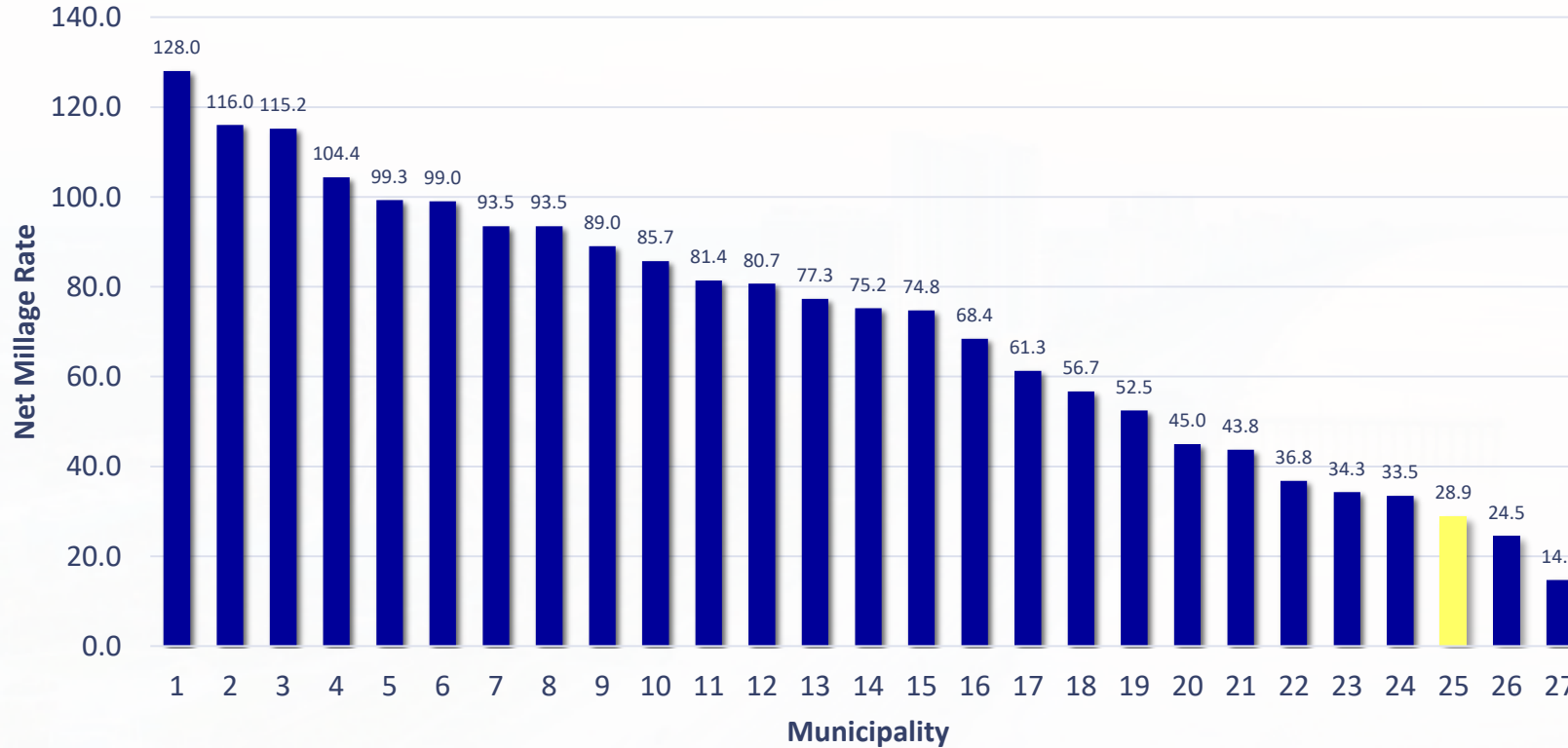
Property Value	FY22	FY23	Increase Over FY22	Maintain Credit	76.01%
	78.9	88.9		FY23 Credit:	67.6 mills
\$100,000	\$473	\$533	\$60	Net Tax Millage:	21.3 mills
\$250,000	\$1,184	\$1,334	\$150		
\$500,000	\$2,367	\$2,667	\$300	Freeze Credit	67.45%
				FY23 Credit:	60.0 mills
				Net Tax Millage:	28.9 mills

Comparison of Selected City's Gross Property Tax Rates



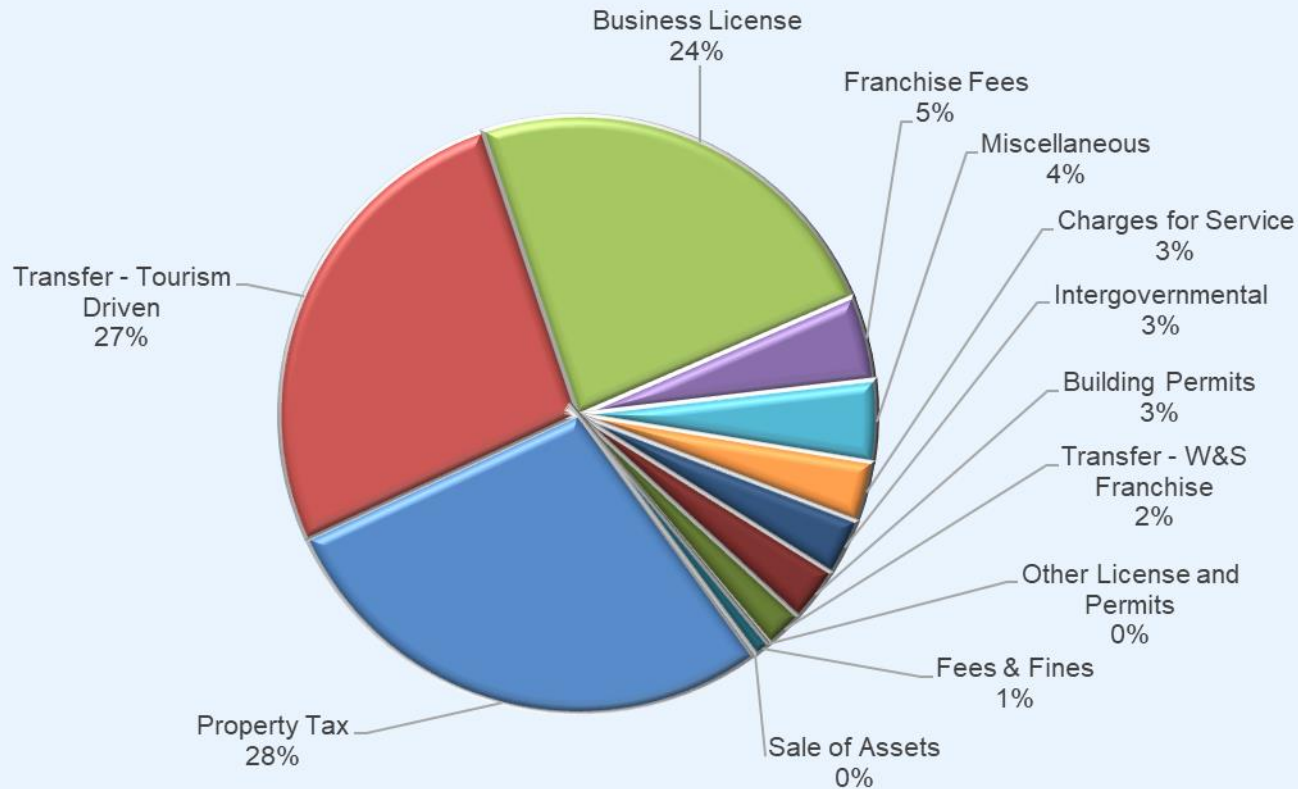
1. Lancaster
2. Clover
3. Laurens
4. Gaffney
5. Anderson
6. York
7. Clinton
8. Abbeville
9. Spartanburg
10. Sumter
11. Westminster
12. Greer
13. N. Charleston
14. Columbia
15. Rock Hill
16. Union
17. Tega Cay
18. Myrtle Beach
19. Greenville
20. Charleston
21. Newberry
22. Conway
23. Fort Mill
24. Easley
25. Florence
26. N. Myrtle Beach
27. Mt. Pleasant

Comparison of Selected Cities Net Residential Property Tax Rates (Freezing Tax Credit)



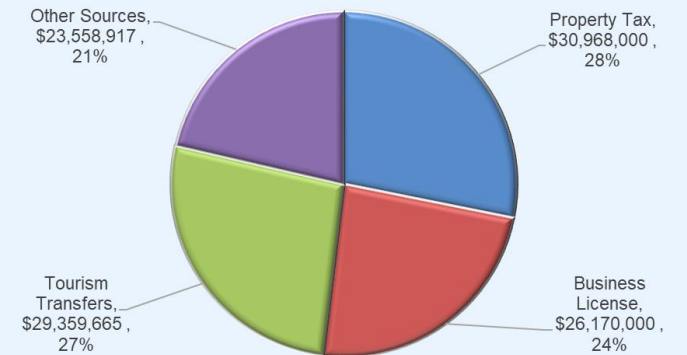
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2. Anderson
3. York
4. Spartanburg
5. Westminster
6. Greer
7. Rock Hill
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FY 23 General Fund Revenue

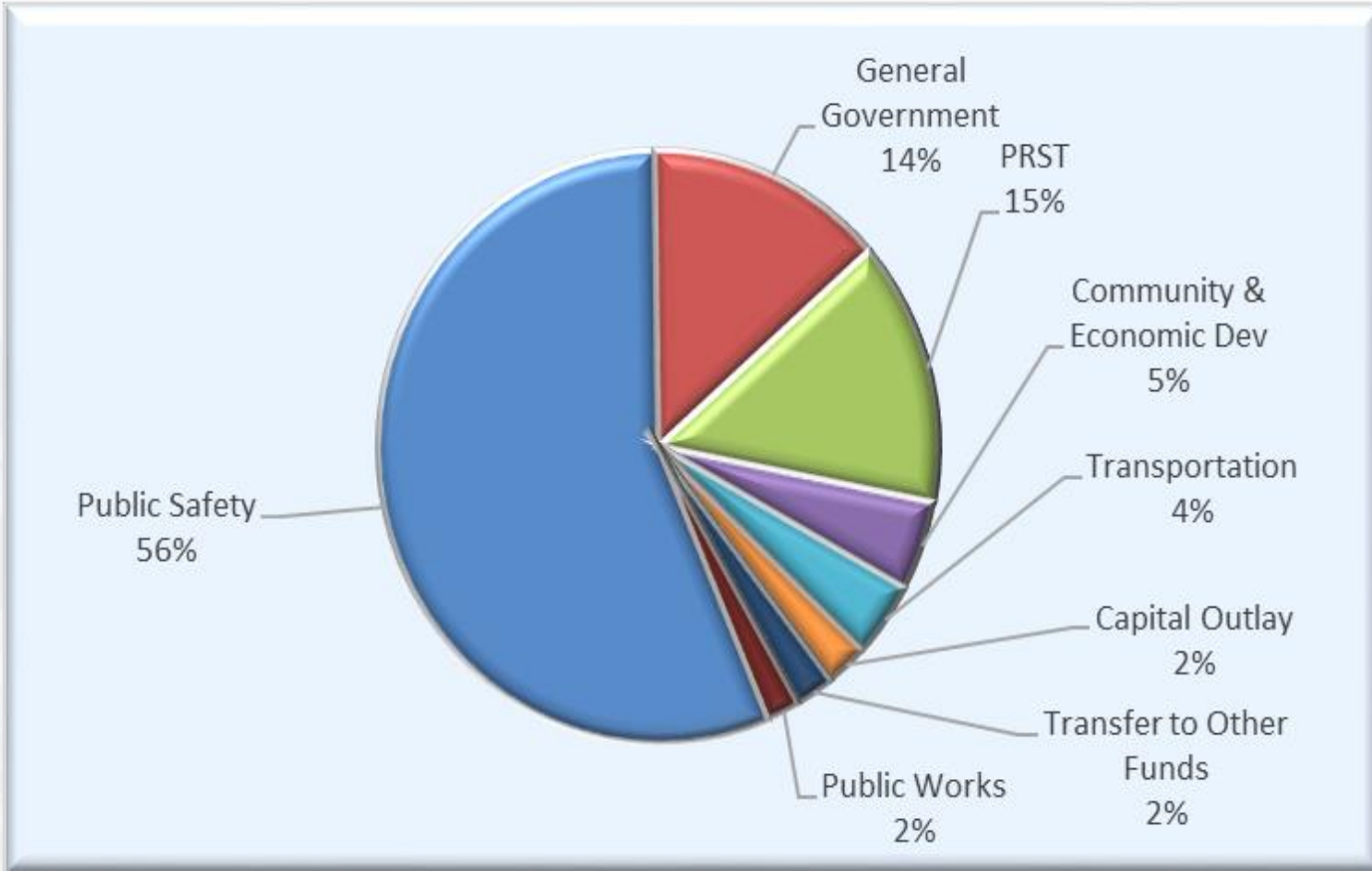


General Fund Revenue

Property Tax	\$ 30,968,000	28.1%
Transfer - Tourism Driven	29,359,665	26.7%
Business License	26,170,000	23.8%
Franchise Fees	5,020,500	4.6%
Miscellaneous	4,877,033	4.4%
Charges for Service	3,591,160	3.3%
Intergovernmental	3,364,743	3.1%
Building Permits	3,200,000	2.9%
Transfer - W&S Franchise	2,248,981	2.0%
Other License and Permits	126,500	0.1%
Fees & Fines	930,000	0.8%
Sale of Assets	200,000	0.2%
	<u>\$ 110,056,582</u>	



Fiscal Year 2023 General Fund Expenditures



General Fund Expenditures		
Public Safety	\$61,832,044	56.2%
General Government	15,107,377	13.7%
PRST	15,958,794	14.5%
Community & Economic Dev	5,399,424	4.9%
Transportation	4,557,848	4.1%
Capital Outlay	2,658,395	2.4%
Transfer to Other Funds	2,435,416	2.2%
Public Works	2,107,284	1.9%
	<u>\$110,056,582</u>	

Public Safety	
Police	39,797,148
Fire	22,034,896
Public Safety Capital	2,204,495
	<u>\$64,036,539</u>
Public Safety % Budget	58.2%

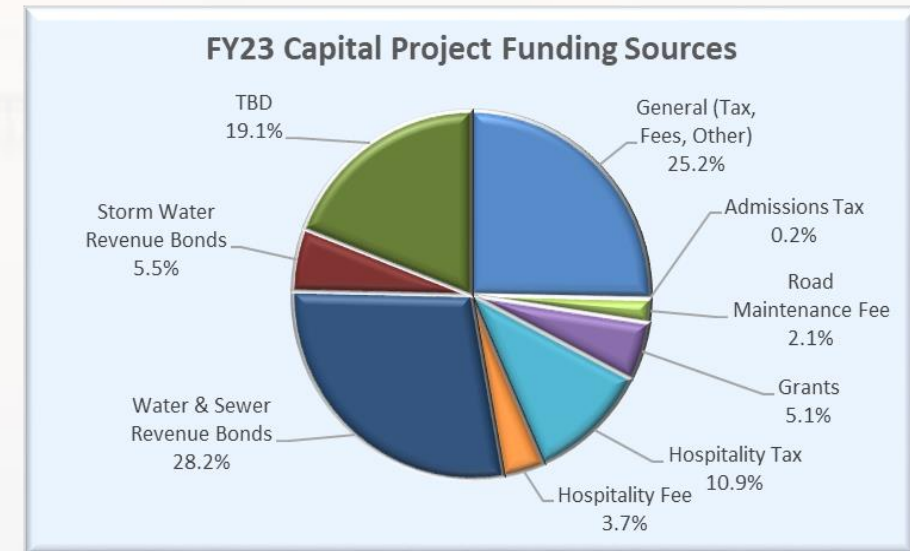
Fiscal Year 2023 Capital Improvement Plan

- General Pay-Go Projects \$6.2m
- Historic Boardwalk & Ocean Boulevard Projects \$725k
- Baseball Stadium Project \$95k
- Golf Course Projects \$47k
- MB Convention Center Projects \$800k
- MBAFB Redevelopment Projects \$6.6m
- Arts & Innovation District Projects \$16.2m
- Storm Water Projects \$7.9m
- Water & Sewer Projects \$23.7m
- Solid Waste Management Projects \$200k

Additions since Budget Workshop:

- Doug Shaw Visitors Locker Rooms - \$50k for Engineering /Design
- Sidewalk Grinding & Repair – Increased from \$100k to \$200k
- 3rd Avenue Sidewalk - \$75k for Engineering/Design
- Ocean Boulevard Cross Walk Lighting - \$100,000

Capital Projects Funding Sources		
General (Tax, Fees, Other)	\$15,719,490	25.2%
Admissions Tax	112,712	0.2%
Road Maintenance Fee	1,300,000	2.1%
Grants	3,215,200	5.1%
Hospitality Tax	6,785,148	10.9%
Hospitality Fee	2,314,000	3.7%
Water & Sewer Revenue Bonds	17,621,500	28.2%
Storm Water Revenue Bonds	3,465,000	5.5%
TBD	11,936,700	19.1%
Total FY23 Projects	\$62,469,750	



Overall proposed allocation for FY23 is unchanged, funding shifted between projects to accommodate additions.

BUYING POWER OF TYPICAL HOUSEHOLD

Household:

Based upon a house valued at \$295,000, two cars valued at \$34,746, and monthly household water consumption of 7,500 gallons, a typical Myrtle Beach household will pay the City's General Government a Total of \$1,869.98 this year. This includes:

City Property Taxes	\$526.36
Water and Sewer charges	691.38
Storm Water Fees	111.60
Solid Waste Fees	369.60
Tourism Development Fee	260.40
Annual Total	\$1,959.34



If you are the typical City resident, your \$1,959.34 will buy any one of these things:

Equates to \$163.28 / Month

Two bullet-proof vests or a gun and body camera for one Police Officer

70% of the cost of Turn Out Gear for one Fire Fighter or 700 ft. of fire hose

About 4 days' salary and benefits for an entry-level Police Officer or Firefighter

75 linear feet of new paving, 17 street signs, or 70 linear feet of sidewalk

100 children's books, 37 reference books, or 4 IPAD Air (available for loan) for Chapin Library

100 cubic yards of mulch for landscaped medians and parks

Outfit 15 children for youth football with a helmet, shoulder pads, pants and pads, and a jersey



City Services:

- ✓ 24-hour police protection
- ✓ Criminal Investigation
- ✓ Traffic Enforcement
- ✓ Crime Prevention Programs
- ✓ School Resource Officer's Program
- ✓ 24-hour Fire protection
- ✓ Fire Prevention Services
- ✓ 24-hour Emergency Medical Response
- ✓ Hazardous Materials Response
- ✓ Street Construction and Maintenance
- ✓ Traffic Signals and Street Lighting
- ✓ Street Cleaning
- ✓ Drainage System Maintenance & Improvements
- ✓ Water & Sewer service and system maintenance
- ✓ Waste Management and Recycling Service
- ✓ Parks and Recreation Facilities and Programs
- ✓ Street Tree Planting and Maintenance
- ✓ Community Planning, Zoning, Development Review
- ✓ Neighborhood Services
- ✓ Construction Services
- ✓ Municipal Court
- ✓ Various Economic Development Services
- ✓ All Municipal Legislative, Management and Support Services
- ✓ Free parking at metered City parking spaces, the MB Convention Center, and the John T Rhodes Sports Center



Total Cost of City Services:
\$163.28 Per Month

One week's moderate cost grocery bill for a family of 4:
\$ 239.00
Based upon USDA Official Food Plan update February 2022.



Two and 1/2 tanks of mid-grade gasoline to fill your family's mid-sized sedan:
\$194.25
Based upon 21.0-gallon fuel capacity at \$3.70 per gallon.



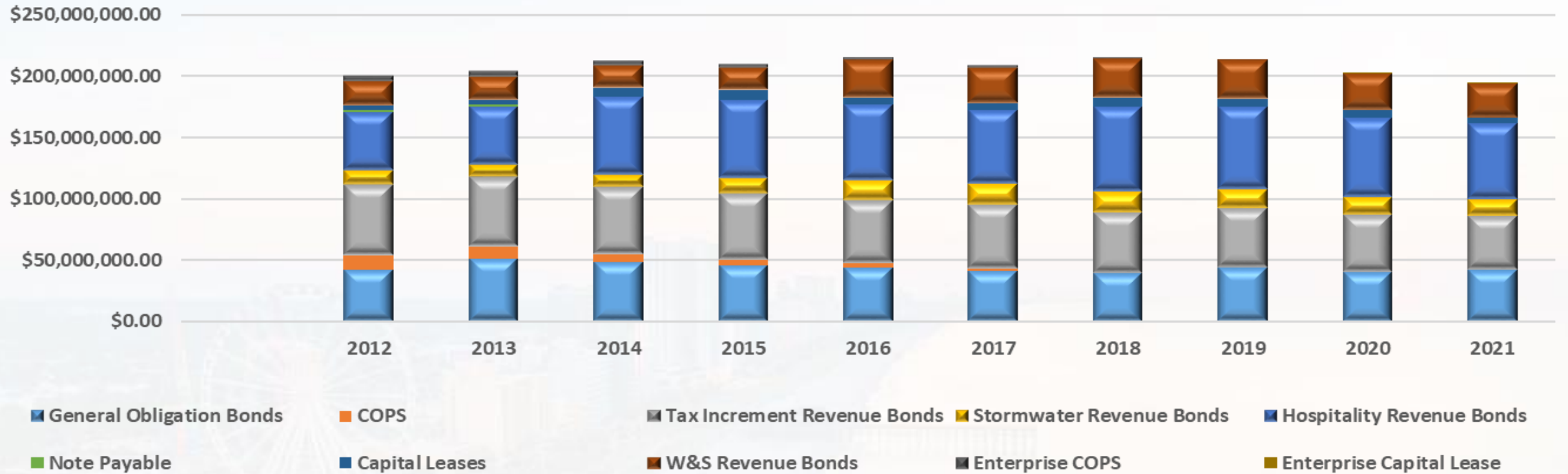
One Month's subscription to Basic Cable TV & High Speed Internet Access:
\$145.99



One evening out for two with dinner and a movie:
\$ 135.50
Based upon entrée' price of \$24.95, including two drinks, taxes, tips, and refreshments at the theater.



City Debt- 10 Year Schedule



2012 – Phase IV Grand Park & MBCC Roof

2014 – Sports Complex and MBCC HVAC System & 4th Avenue Outfall

2014 & 2016 – Water & Sewer System Upgrades & Repairs

2018 – Mary C Canty & Doug Shaw Stadium Renovations

2019 – ERP System

2020 – Transfer Station & Compactor Lease

Fiscal Year 22-23 Revenue & Expenditure Assumptions

- Property Tax revenues will remain stable with much of the residential and commercial growth occurring in the MB Air Force Base TIF District, the Mutli-County Business Park, and the Ocean Front/Downtown Redevelopment TIF.
- Tourism driven tax and fee revenues are expected to remain strong near-term , however growth at the historic level seen over the last fiscal year is not expected to continue.
- Construction Permitting shows no sign of slowing near-term, however it is unknown how long the rapid growth will continue as housing prices and interest rates climb.
- Operational and Capital costs will continue to rise as a result of :
 - Wage Inflation
 - Supply Chain constraints
 - Fuel Inflation
 - Materials & Supply Inflation

KPMG Forecast for the U.S.

	2021	2022	2023
GDP	5.7	3.1	2.1
Inflation	4.7	8.2	3.7
Unemployment Rate	5.4	3.6	4.1

Source: BLS, BEA, KPMG Analysis

Fiscal Year 23-24 Economic Outlook

- **High Inflation & Low Unemployment rates**

“Over the last 75 years, every time inflation has exceeded 4% and unemployment has gone below 5%, the U.S. economy has gone into a recession within two years.” Lawrence Summers, Former U.S. Treasury Secretary

- **Inversion of the Yield Curve**

According to an April 9, 2022 article in Fortune Magazine, *“A 2s/10s yield curve inversion where yields on short-term two-year government bonds outpace those on long-term 10-year government bonds has predicted every recession since 1955, with only one false signal during that time. The average time frame for a recession after the yield curve inverts: between 6 and 24 months hence, all the predictions of a recession by 2023.”*

Federal Reserve Interest Rate Increase Timing

The Federal Reserve is faced with a difficult task, raising interest rates and ending QE in order to cool economic growth and combat inflation—all without causing a recession, a so-called soft landing for the U.S. economy

Fiscal Year 23-24 Managing Economic Challenges

Continual monitoring of the economic environment and monthly financial status

- If revenues track lower than expected or expenditures track higher as a result of rising inflation:
 - Delay Capital Spending
 - Freeze Vacancies
 - Reduce Temporary & Part Time Employment
 - Freeze non-essential operating expenditures

An aerial photograph of a coastal city at sunset. A large Ferris wheel is prominent on the left side, with a pier extending into the water on the right. The sky is a mix of orange, pink, and blue. The word "Questions?" is overlaid in the center in a large, black, sans-serif font.

Questions?